



UNIVERSITY  
of HAWAII°  
SYSTEM

David Lassner  
President

# DEPT. COMM. NO. 108

December 19, 2016

The Honorable Ronald D. Kouchi,  
President and Members of the Senate  
Twenty-Ninth State Legislature  
Honolulu, Hawai'i 96813

The Honorable Joseph Souki, Speaker  
and Members of the House of Representatives  
Twenty-Ninth State Legislature  
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

For your information and consideration, the University of Hawai'i is transmitting one copy of the Annual Report on Material Weaknesses and Fraud (Section 304A-321, Hawai'i Revised Statutes) as requested by the Legislature.

In accordance with Section 93-16, Hawai'i Revised Statutes, this report may be viewed electronically at: <http://www.hawaii.edu/offices/government-relations/2017-legislative-reports/>.

Should you have any questions about this report, please do not hesitate to contact Stephanie Kim at 956-4250, or via e-mail at [scskim@hawaii.edu](mailto:scskim@hawaii.edu).

Sincerely,

A handwritten signature in black ink that reads "David".

David Lassner  
President

Enclosure

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# UNIVERSITY OF HAWAI‘I SYSTEM ANNUAL REPORT



REPORT TO THE 2017 LEGISLATURE

Annual Report on  
Material Weaknesses and Fraud

HRS 304A-321

December 2016

Report to the 2017 Hawai‘i State Legislature

Annual Report on  
Material Weakness and Fraud

Hawai‘i Revised Statutes §304A-321

Hawai‘i Revised Statutes §304A-321 requires the Committee on Independent Audit (Audit Committee) of the University of Hawai‘i Board of Regents (BOR) to submit an annual report to the Legislature and BOR with respect to the following matters:

- 1) all instances of material weaknesses in internal control, including the responses of University of Hawai‘i (University) management; and
- 2) all instances of fraud, including the responses of University of Hawai‘i management.

At a December 15, 2016 Audit Committee meeting, the Audit Committee reviewed and accepted the University’s consolidated financial statements for the years ended June 30, 2016 and 2015 audited by Accuity LLP (Accuity). Accuity presented a document at this meeting containing required auditor’s communication in accordance with auditing standards generally accepted in the United States of America. Accuity’s document (excerpts attached) noted that they did not identify any matters that they considered to be material weaknesses in internal control over financial reporting and noted no instances of fraud or illegal acts.

Attachment



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**University of Hawai'i**

**Report to the Board of Regents  
Committee on Independent Audit  
Financial and Compliance Audit  
Year Ended June 30, 2016**





To the Board of Regents Committee On Independent Audit  
University of Hawai'i

We are pleased to present you with our results of our financial and compliance audit of the University of Hawai'i as of and for the year ended June 30, 2016. Statement on Auditing Standards Section 260 – *The Auditor's Communication with Those Charged with Governance*, requires certain communications to be made verbally or in writing to those members of an organization's governing board with oversight responsibility over the consolidated financial statement audit.

The ultimate goal of our engagement was to ensure that the audit procedures contemplated and performed were sufficient to render an opinion that the June 30, 2016 consolidated financial statements were free of material misstatement and that the University complied in all material respects with the provisions of the OMB Uniform Guidance. We determined our audit scope by performing a risk assessment which, coupled with an evaluation of materiality, allowed us to determine the required level of audit effort.

We are pleased to inform you that we are prepared to issue unmodified ("Clean") opinions on the consolidated financial statements and compliance with OMB Uniform Guidance. Furthermore, we are not aware of any matters that require further communication or action by management or the Board of Regents other than those discussed in the following pages.

We would like to thank the management and staff of the University for the cooperation and assistance provided to us during our audit.





## Required Communications

Matter to be communicated	Our response
Other information in documents containing audited financial information.	Not applicable.
Disagreements with management.	None.
Consultation with other accountants.	We are not aware of any consultations made by management with other accountants.
Major issues discussed with management prior to retention.	None noted.
Difficulties encountered in performing the audit.	None noted.
Deficiencies in internal control over financial reporting.	We did not identify any matters that we consider to be material weaknesses in internal control over financial reporting. We noted four significant deficiencies related to compliance discussed below. We noted other matters involving internal control and its operation, which are communicated in our Internal Control and Business Issues Report.
Fraud and illegal acts.	None noted.
Independence.	We confirm that we are independent of the University of Hawai'i and its affiliated entities.